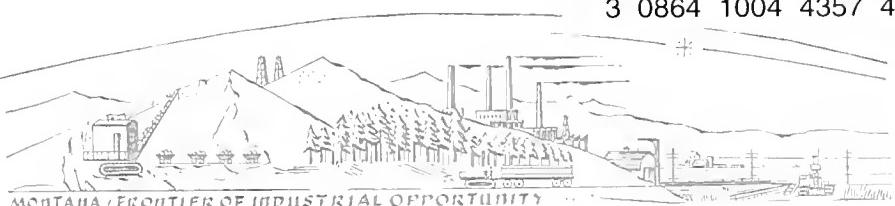


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Industrial Horizons



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J. NEILS TO MERGE WITH ST. REGIS PAPER

If merger negotiations between J. Neils Lumber Co. and St. Regis Paper Co. are successful, Northwestern Montana too may have a paper pulp mill in the near future, as the Missoula area will next year.

Announcement was made October 4 of an agreement by which St. Regis, headquartered in New York City and one of the country's largest paper products company, will acquire J. Neils of Libby and Troy, Northwestern Montana's largest lumber producer. The agreement is now before the Securities and Exchange Commission for approval.

President and Board Chairman Roy Ferguson of St. Regis, announced that the Libby-Troy area will support a 400-ton pulp mill and that, after the merger is completed, St. Regis engineers will determine the exact site of the mill.

What will this merger mean for Montana? Further economic progress, to be sure. Exact figures still are indefinite of course, but we can be sure of new employment in the hundreds and new investments in the amount of several millions. But more important, one of our relatively undeveloped resources will be utilized—pulpwood, i.e., sawmill residues and overmature timber. Until recently, only a small amount of this resource has been shipped to Midwest and Pacific Coast pulp and paper mills.

IMPORTANCE OF PETROLEUM INDUSTRY RELATED AT I. C. C. HEARING

In the interest of maximum development of the petroleum industry, Perry Roys, Director of the State Planning Board, presented testimony on the importance of petroleum refining to Montana at an Interstate Commerce Commission hearing held in Billings, October 1-3, 1956.

Roys appeared at the request of the Montana Board of Railroad Commissioners, who are complainants in the proceeding with the Wyoming Public Service Commission. Defendants are about fifty rail carriers, mainly in the South and Southwest. The hearing concerned rail rates on low-grade petroleum products moving from Montana and Wyoming to Midwest markets, and will be resumed in Kansas City with presentation of defense arguments.

According to James B. Patten, secretary-counsel of the Board of Railroad Commissioners, the Director's testimony and exhibits "were essential to prove the allegations made by formal complaint, and the evidence which was there presented . . . will weigh heavily in the final outcome of the proceeding."

Roys' testimony was prepared to demonstrate that (1) Montana's petroleum industry has grown to be one of the state's most important in terms of income, employment, and public revenue, and (2) continued expansion of these benefits to Montana is in part dependent on the ability of refiners to market low-grade products in Midwest markets in competition with refiners in the Mid-Continent oil region. A portion of this testimony is here reprinted. Persons wishing to review the complete statement may obtain a copy by writing the Planning Board.

Prior witnesses have testified that petroleum refining capacity in Montana exceeds crude oil production. This is because a large part of the crude from Northern Wyoming is refined in the Billings refining area. When it is further realized that substantial amounts of gasoline and other refinery products are exported from the state, it becomes obvious that Montana's refining industry is now substantial. These facts also show that further significant development is probable, because new crude reserves are being developed at

a rate far in excess of present production despite the enormous increase in production itself with each passing year. There is thus a base not only for the refining of the principal petroleum products, but also for the production of numerous by-products of petroleum, and for the production of raw materials for allied petro-chemical industries.

Refining Important

The importance of the industry to Montana's present economy is fur-

'Continued on Page 4)

A view of the Anaconda Company lumber mill at Bonner, at which the company recently announced it will install new log barking and chipping facilities. Markets for the new product, to be manufactured from residues formerly burned (bark, slabs, and trim) include paper pulp mills and other wood processing operations in the Missoula area. (Photo courtesy Northern Pacific Ry.)

RESEARCH IN MISSOURI BASIN . . .

Following are excerpts of a talk entitled "Facilities for Research in the Missouri Basin," given at the August 16 meeting of the Missouri Basin Research and Development Council by Dr. E. G. Booth, Business Analyst for the U. S. Department of Commerce Field Services in Minneapolis. In his speech, Dr. Booth eloquently called for expansion of industrial research in the Missouri River area, and for cooperation between governmental and private research agencies.

Two-thirds of Montana is in the Missouri Basin. The river rises here, and our dams are important in regulating its flow. Montanans are therefore interested in cooperative efforts to develop this great area.

Today, financial support of research in this region we call the Missouri Basin perhaps parallels peacetime pre-war years in dollar value. Elsewhere in the nation, however, annual expenditures of a few hundred millions in peace-time research have been stepped up to billions to develop synthetics and new processes, such as automation. In other words, research here is still on a pre-war basis as compared to a post-war basis elsewhere in the nation. Both industry and government share in the spending of these billions. Lacking substantial industry and far removed from the seat of big government, our research lags.

For instance, a primary need is facilities for research in the conversion and disposal of the surpluses of natural products we produce. Is it not possible that practical and cheaper processes may be found to produce and blend alcohols, rubber, plastics, and like products from our surpluses, and that our coal, mineral, oil and forest resources may be converted to more end products locally rather than be shipped out largely as raw materials?

New Products

There's the question of timber in such areas as the Black Hills, the upper reaches of the Missouri, and in other foothill areas. Basically, the product is distant from market for shipment in bulk form. But nowadays logs and lumber are only a part of the market. Insulation and pressboard plants are doubling their capacity and operating around-the-clock to meet demand. Synthetic fibers are competing with wool and silk. Pulp and newsprint are imported from as far away as Scandinavian countries. Even a substitute for goose feathers is manufactured from wood pulp. Must all these products originate somewhere else? Why is it that millions of board feet of lumber rot in Montana while paper mills are projected in Alaska and bagasse is studied as a substitute for newsprint in sugar cane country?

For fifty years industry has shied away from this region, and we accepted and believed statements that we lacked sources of raw materials or fuel or power or the freight rate was too high, or that we were too far removed from the center of population. Well, if all that is true today, how does it come that wood pulp is shipped in volume from Pacific points more than a thousand miles across Montana and the

Dakotas to be processed into paper in Minnesota and Wisconsin? Is it not time to reassess the fact that there is a prospective fifty million population to the west and south of us? Will our wheat and meat be shipped East to be processed and then West to the growing center of population?

Look down the list of minerals. Take uranium, for instance. Will the refined product be shipped out of Missouri Basin states, the research be continued elsewhere, and the by-products used in industry outside the region? Will manganese eventually move from South Dakota deposits in concentrated form to Eastern processors?

The answer to these questions and the utilization of other mineral resources is much the same. If research and promotion are on the ball, much can be accomplished. Without either or both, all of these resources will just be other raw products shipped to market, as cattle and wheat now move to Minneapolis, St. Paul, Chicago, and Buffalo.

"Balanced Input"

The Missouri Basin exports a variety of products including wheat, meat, copper, oil, manpower, and tax dollars. It is rather elementary economics to state that if there is more "outgo" than "input" within any geographic area, there is a pretty sure financial adjustment necessary. My point is this—should it be necessary to have an international boundary around an area, before we publicly recognize that balance of trade, or dollar exchange, or regional economy, must be balanced just as surely as Canada, Great Britain or European countries must look to balancing their trade on a hard currency basis?

If the national welfare or economy demands that specific groups, such as the farmer and laborer, be afforded parity of income, or that specific programs such as highways, dams, slum clearance and airports, to mention only a few, demand national recognition and support, how come the whole economy of a region or basin escapes the spotlight until disaster strikes? The answer seems to be research for a new economic formula that better fits our location and resources. Is that not exactly what foreign boundaries have forced upon nations to guard their balance of trade and national economy? Are they not forced to build dams, transportation systems, develop irrigation, sponsor research, subsidize and create new enterpris-

es, and wisely tax, that they might prosper? A rounded economic formula for our region is an essential for future growth.

These disjointed examples of mine point to a general conclusion that we need bold research projects to point the way toward greater development in the upper reaches of the Missouri. But no individual, no institution, no state, is big enough to face the issues lone-handed. Research like this will take spotlighting and finance, just as diabetes and polio have been challenged and met on a research basis.

WALDORF PULP MILL AT MISSOULA

Paul A. Schilling, president, announced October 21 that Waldorf Paper Co. of St. Paul, Minnesota, will build a 250-ton Kraft paper pulp mill at a site eleven miles west of Missoula.

Construction is to begin this fall, and first production is scheduled for late next year. The mill will include barking and chipping facilities, and is to cost more than \$6 million.

Waldorf has been investigating the Missoula area for over a year, as was mentioned in the August INDUSTRIAL HORIZONS. According to Schilling, a large factor in the company's final decision to locate there was "community receptiveness"—attitude of Missoula and of the whole state toward new industrial activity. He gave credit to the State Planning Board, State Board of Health and various community groups in Missoula for assisting his company in compilation of necessary engineering and economic data.

Montana pulp will be shipped by rail to Waldorf's St. Paul paper factory, which manufactures seven hundred tons of paper a day.

The pulp mill site is so located that prevailing winds will carry smoke exhausts five miles or more north of Missoula itself. In addition, conferences between Waldorf and the State Water Pollution Council established the fact that a plant such as will be constructed in Missoula will release only one-tenth the volume of wastes into the Clark Fork River as would a typical mill studied a few years ago which adequately met State standards. And all solids will have been removed from these wastes.

Montana now has a pulp mill. More are sure to follow.

MANY MINERALS MINED IN MONTANA

Many don't realize the great variety of minerals produced in Montana.

In 1954, more zinc, chromite, and vermiculite was produced here than in any other state. Montana was second in manganese, fourth in phosphate rock, and fifth in copper.

New Production

However, several minerals are just now coming into commercial production, and for several reasons. (1) Technological advances in both mining and beneficiation have been made, and this allows use of lower-grade ores. (2) New uses for our minerals are being found. For instance, industries based on nuclear power are demanding new steels; new processes of coal utilization have been discovered.

(3) Domestic production of certain strategic minerals is considered to be in the national interest and is therefore subsidized by the Federal government. (4) Higher prices resulting from expansion of the nation's economy has made extraction of some formerly dormant deposits feasible. (5) Establishment of new industries in this region means a new market for certain minerals.

Two of these minerals now being produced in Montana are bentonite and tungsten.

Bentonite

Bentonite, used as a suspensoid for drill cutting in deep-hole drillings, has proved valuable to the oil industry. However, it is a mineral of rapidly expanding industrial uses, too. For instance, it is being used as an adulterant in such products as soaps, as a filter for oils and fats, as an effective water seal in dams and ditches, and as foundry sand. There is current production near Ekalaka and Zortman, but bentonite deposits are found in various parts of the state, according to the Montana Bureau of Mines and Geology. Its utilization will probably grow with the oil industry.

Tungsten

And a mineral of a different type is being utilized. Tungsten is one of the "wonder metals" whose uses have been greatly extended in this atomic and jet age—it is especially important as a constituent of heat-resistant metals and in the electronics industry. Minerals Engineering Company, the country's third largest tungsten producer, has been shipping tungsten from the Dillon area since 1953, and current production amounts to about 1300 tons of sixty-per cent concentrate per year.

Mining has always been basic to Montana's economy. Certainly all parts of the state benefit from it. But the best part is—whenever a new mineral is needed we always have it. Montana will remain an important mining state.

PUBLIC - SPIRITED COLUMBUS-- A TOWN ON THE GO

It's often the smaller communities that have the spirit and imagination to effectively deal with their problems and plan for the future.

Take Columbus, fiftieth largest city in Montana with a population of around 1,500. Recently, fifteen Columbus businessmen got together and proved how ambitious and progressive a town can be.

During the Second World War, Reconstruction Finance Corporation built a large building in Columbus to service the trucks carrying chromite from the mines thirty-five miles away to the railroad at Columbus. Montanans will remember that this mining was a wartime project to offset curtailed foreign imports of chromite. So when the war ended and Rhodesian chromite could again be imported, the Government was left with a building. Since then, it has been used as a warehouse by the Bureau of Reclamation.

This fall, the General Services Administration decided to put the building up for sale.

This is where the public-spirited Columbus citizens come in. They formed Columbus Enterprises, Inc., a Montana corporation, to buy the building; keep it in the city; assure that a desirable, long-term industry will obtain it, one that will provide job opportunities for the youth of

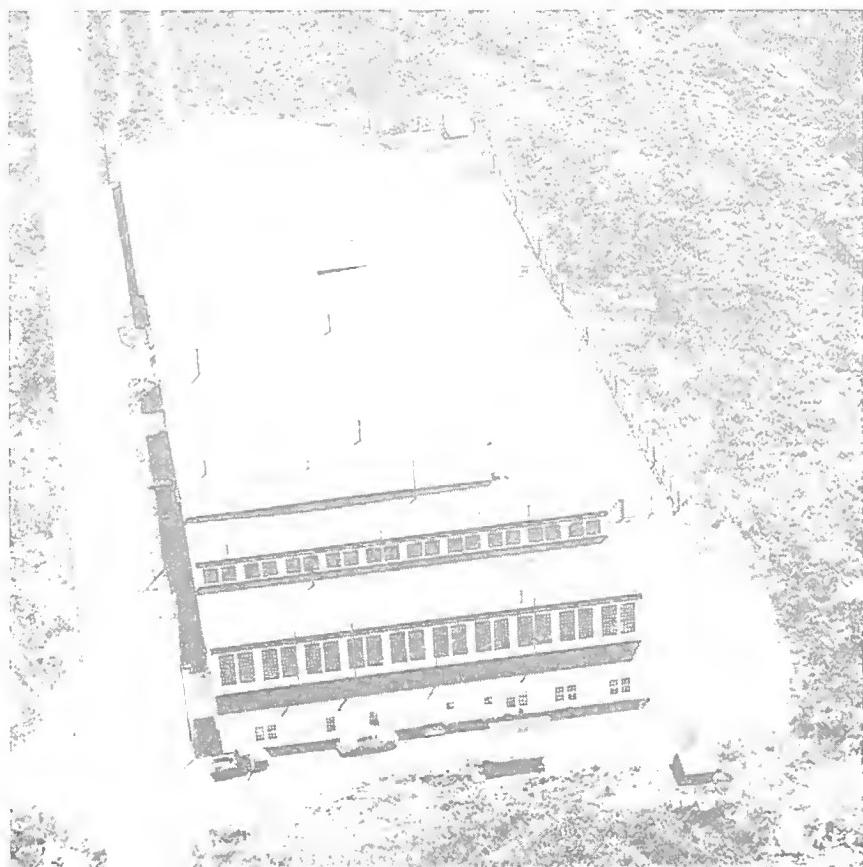
Columbus that are now moving away and for the surrounding farm population. President is Gene Davey.

The Columbus group's bid was accepted in October. Already, they have made contact with several industries who are interested in leasing the building.

And it is a building quite suitable for industrial use. Of modern frame construction, with twelve-foot ceilings and a minimum of obstruction posts, the building has 23,000 square feet of concrete floor area, of which 900 is office space. Its location is ideal: on the main line of the Northern Pacific Railway and U. S. Highway 10, adjacent to the Columbus airport, about a mile from the Yellowstone River. All city utilities are connected to it.

This is the kind of spirit that gets results—payrolls, widened tax base for schools and city services, more service businesses. The citizens of Columbus are to be congratulated.

Butte Chamber of Commerce maintains a file of available sites for new industries and businesses. The file contains maps, topography reports, and other information about each site. This is a worthwhile service all local economic development agencies can perform.



Former RFC Building Purchased by Columbus Enterprises, Inc.

PETROLEUM INDUSTRY

(Continued from Page 1)

ther attested to by these facts: in 1955, 1,300 employees earned \$7,604,664 by direct employment in the refining of 22,248,023 barrels of crude oil. Montana's average total manufacturing employment in 1955 was 19,200. Thus, 6.77 per cent, or nearly 7 out of every 100 persons employed in manufacturing is employed by the refining industry.

The refining industry also paid \$1,099,061 in taxes to State and local governments in 1955, which was approximately half the amount paid by the oil producers under net proceeds, oil license and oil field equipment taxes.

Total Value Added by Manufacturing in Montana was \$141,222,000 for all products (1954). The Bureau of the Census reports that \$13,677,000 or 9.7 per cent, of that total was attributable to petroleum and coal products. Since there is little if any manufacture of coal products in Montana, this is a reliable index of the additional direct contribution made to Montana's economy by oil refineries operating within the State.

Crude Products Exported

With these facts, then, is it any wonder that Montanans are interested in the factors which affect current and future developments of the State's petroleum industry? Until recently most of the oil produced in Montana has been refined in Montana. What future conditions will prevail is uncertain. The completion of the Butte Pipe Line from Eastern Montana to Guernsey and Fort Laramie, Wyoming, where connection is made with pipe lines to the Midwest refineries will, no doubt, result in substantial exportation of crude, and there will be a consequent reduction in refining potential in Montana. Exportation of crude from Montana in the first quarter of 1956 was reported as 44 per cent higher than for the same quarter in 1955. The new transportation of crude oil has already been beneficial to the state because it has relieved the bottleneck in Butte. At the same time, the new refinery at Guernsey, Wyoming, will add to the refining capacity of the state, and those refineries will be able to compete with refineries located in the

same markets, the consuming area defined by previous witnesses. Access is necessary if the refining phase of Montana's petroleum industry is to keep pace with its producing end.

Refining Important to Production

If the refining phase of the industry is hampered in its access to markets, the production phase may also be depressed, for in the final analysis, it is the competition among refiners for the supply of raw materials which in large measure determines the prices paid for various grades of crude, and also determines the producer's profits. Development and exploration activity among the producers is therefore responsive to the needs of refiners for crude. Absence of competition from Montana refiners may then be as serious a barrier as market outlets have been in the past to a more rapid rate of petroleum exploration and development in Montana.

All that Montanans ask, and rightfully, is that their petroleum industry be granted an equal opportunity to grow and develop. An equal opportunity without prejudice against it, or preference for refining in any other area by reason of carrier-made or Commission-regulated transportation rates. As has been shown, the petroleum industry is vital to Montana's effort to achieve the economic and social advancement that comes only through economic development.

Recent developments in Montana's minerals industry... Yogo Sapphire deposits of Judith Basin County, richest gem deposits in the country, are to go back into commercial production this winter for the first time since the First World War. Mining of sapphires used to be an important industry in Montana; from 1922 to 1927, \$2,400,114 worth of sapphires for jewels and bearings was produced.... The Anaconda Company is going to build a \$1 million plant at the Anaconda smelter to test its new process for extracting alumina from low-grade bauxite clays. Alumina for its Coeur d'Alene smelter plant now comes from the Caribbean area. The new process may revolutionize the aluminum industry. In any case, Montana's huge hydroelectric resources will be valuable to the aluminum production industry.

All Regions of State Cooperate on "Commerce & Industry" Magazine

Montana is certainly a friendly place, according to Frank Schroeder, publisher of the forthcoming Montana issue of "Commerce and Industry" magazine.

"People here really get together on a project like this. In every community I have visited, I was given a warm reception and cooperation in gathering economic data, and everybody showed me around the countryside."

Schroeder has been in the state the past three months gathering data for the November issue of his magazine, which is a quarterly guide to industrial site location.

The publisher was aided by the state's research institutions, especially the Bureau of Business and Economic Research and Montana Bureau of Mines and Geology; by various individuals over the state with experience in problems affecting Montana's growth potential, and by officials of State government, especially the State Advertising Office, Fish and Game Department and Department of Public Instruction. Preparation of copy was coordinated by the State Planning Board. All phases of Montana's economy, living conditions and population are covered in the eighty-page publication.

An example of the growing spirit of cooperation in the state's industrial development program is that twenty community groups and twenty-seven of the state's leading industries, along with the Planning Board, have joined together in this effort to publicize the state by subscribing for advertising space.

People in other areas of the country don't realize the significance of this cooperation. Each of Montana's communities is capital of its own river valley, or its own petroleum basin, or its own agricultural region. And these little regions are spaced far apart, an area three times the size of Pennsylvania. Widely divergent climates and economic conditions mean a great variety of problems. But people in all parts of this vast state have united to make this publication a complete coverage.

Montana STATE PLANNING BOARD

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